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FISCAL IMPACT STATEMENT

LS 6080

BILL NUMBER: SB 98

NOTE PREPARED: Jan 14, 2008

BILL AMENDED: Jan 14, 2008

SUBJECT: Payments in Lieu of Taxes for DNR Land..

FIRST AUTHOR: Sen. Waterman

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Department of Natural Resources (DNR) to make a semi-annual payment in lieu of property taxes (PILOT) for land owned or leased by the DNR, except for land used as a state park. The legislative body of a county and the board of directors of a conservancy district are allowed to collect a PILOT. For purposes of calculating a PILOT, the land is considered to have an assessed value of one-third of the statewide agricultural land value base. This bill establishes the Pilot Transfer Account within the state General Fund and appropriates from the state General Fund to the Pilot Transfer Account the amount necessary to make required distributions to counties and conservancy districts.

Effective Date: January 1, 2008 (retroactive).

Explanation of State Expenditures: State fiscal year impacts are estimated at \$1.1 M in FY 2009 (or ½ of the first calendar year) and \$2.3 M in FY 2010. The actual state expenditure will depend on the actual tax rates in the taxing districts where the DNR land is located.

Background. According to the State Land Office, state agencies have reported owning approximately 386,463 acres. Of this total, the DNR manages approximately 369,962 acres. (The majority of the remaining acres, or 16,501 acres, are owned by state universities. These totals do not include acres owned by the Indiana Department of Transportation.)

Estimates of DNR Acres Based on Property Maps	
State Forests	147,000
State Parks	68,358
Fish & Wildlife	145,400
Other* (Ex: Historic Sites)	9,204
Total	369,962
*The number of acres in this category was calculated by subtracting State Forests, State Parks, and Fish & Wildlife acres from the Total, as reported by the State Land Office.	

Subtracting State Parks from the total would leave around 300,000 acres that could require a PILOT. The proposal provides that the PILOT equals the number of acres (300,000) multiplied by 33 1/3 % of the statewide agricultural land value base. The statewide agricultural land value base is \$1,140. One third of this figure would equal \$380. Applying the base value of \$380 per acre to the eligible 300,000 acres would result in an assessed value (AV) of \$114 M.

The PILOT would first be due for property taxes payable after December 31, 2008, or for property tax year 2009. The estimated 2009 statewide average net property tax rate is \$2.0926 per \$100 AV. Using the estimated tax rate, the state's liability is estimated at \$2.3 M ($\$114 \text{ M} / \$100 * \2.0926) for CY 2009.

The estimated 2010 statewide average net property tax rate is \$2.0897 per \$100 AV. Using the estimated tax rate, the state's liability is estimated at \$2.3 M ($\$114 \text{ M} / \$100 * \2.0897) for CY 2010.

State fiscal year impacts are estimated at \$1.1 M in FY 2009 (or 1/2 of the first calendar year) and \$2.3 M in FY 2010.

The actual state expenditure will depend on the actual tax rates in the taxing districts where the DNR land is located.

If counties or conservancy districts used PILOT revenue to reduce property tax levies, state expenditures for property tax replacement could decrease.

PILOT Transfer Account. The bill establishes the PILOT Transfer Account. The bill annually appropriates from the state General Fund to the PILOT Transfer Account an amount necessary to make PILOT distributions. Expenses for administering the account are to be paid from money in the account. Money in the account at the end of a state fiscal year does not revert to the state General Fund.

The Department of Local Government Finance (DLGF), the DNR, and the Auditor of State will experience additional administrative expenses associated with the proposal. The DLGF is required to prescribe forms on which the Auditor of State will convey information regarding the state-owned land to township assessors. The DNR is to make semi-annual payments to counties and conservancy districts. The specific impact of these provisions is indeterminable.

Explanation of State Revenues: The State Treasurer is to invest money in the PILOT Transfer Account not needed to meet the obligations of the account in the same manner as other public money may be invested.

Explanation of Local Expenditures: The proposal might result in a small increase in administrative expenses on the local level associated with the distribution of the PILOT. The local unit could use the PILOT to reduce levies.

Explanation of Local Revenues: Beginning in CY 2009, counties and conservancy districts that contain certain land owned or leased by the DNR could receive up to an estimated \$2.3 M per year statewide. The PILOT would be in addition to all other revenues currently received by the unit and would have no effect on local property tax rates or collections unless the unit elected to use the revenue to reduce its property tax levy. Using the PILOT to reduce levies could reduce local property tax rates.

State Agencies Affected: DNR, Auditor of State, Treasurer of State, and DLGF.

Local Agencies Affected: Counties and conservancy districts in counties that contain certain land owned or leased by the DNR.

Information Sources: Justin Peters, State Land Office (232-3335); Local Government Database; and the DNR (233- 6904); <http://www.in.gov/dnr/>.

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